

Part I: The Metamorphoses of Capital and their Circuits

Chapter 6: The Costs of Circulation

I. Genuine Costs of Circulation

1. The Time of Purchase and Sale

The transformations of the forms of capital from commodities into money and from money into commodities are at the same time transactions of the capitalist, acts of purchase and sale. The time in which these transformations of forms take place constitutes subjectively, from the standpoint of the capitalist, the time of purchase and sale; it is the time during which he performs the functions of a seller and buyer in the market. Just as the time of circulation of capital is a necessary segment of its time of reproduction, so the time in which the capitalist buys and sells and scours the market is a necessary part of the time in which he functions as a capitalist, i.e., as personified capital. It is a part of his business hours.

[Since we have assumed that commodities are bought and sold at their values, these acts constitute merely the conversion of a certain value from one form into another, from the commodity-form into the money-form or from the money-form into the commodity-form — a change in the state of being. If commodities are sold at their values, then the magnitudes of value in the hands of the buyer and seller remain unchanged. Only the form of existence of value is changed. If the commodities are not sold at their values, then the sum of the converted values remains unchanged; the plus on one side is a minus on the other.

The metamorphoses $C-M$ and $M-C$ are transactions between buyers and sellers; they require time to conclude bargains, the more so as the struggle goes on in which each seeks to get the best of the other, and it is businessmen who face one another here; and when Greek meets Greek then comes the tug of war." [A paraphrase of words from the 17th century tragedy *The Rival Queens, or the Death of Alexander the Great* by Nathaniel Lee. — *Ed.*] To effect a change in the state of being costs of time and labour-power, not for the purpose of creating value, however, but in order to accomplish the conversion of value from one form into

another. The mutual attempt to appropriate an extra slice of this value on this occasion changes nothing. This labour, increased by the evil designs on either side, creates no value, any more than the work performed in a judicial proceeding increases the value of the subject matter of the suit. Matters stand with this labour — which is a necessary element in the capitalist process of production as a whole, including circulation or included by it — as they stand, say, with the work of combustion of some substance used for the generation of heat. This work of combustion does not generate any heat, although it is a necessary element in the process of combustion. In order, e.g., to consume coal as fuel, I must combine it with oxygen, and for this purpose must transform it from the solid into the gaseous state (for in the carbonic acid gas, the result of the combustion, coal is in the gaseous state); consequently, I must bring about a physical change in the form of its existence or in its state of being. The separation of carbon molecules, which are united into a solid mass, and the splitting up of these molecules into their separate atoms must precede the new combination, and this requires a certain expenditure of energy which thus is not transformed into heat but taken from it. Therefore, if the owners of the commodities are not capitalists but independent direct producers, the time employed in buying and selling is a diminution of their labour-time, and for this reason such transactions used to be deferred (in ancient and medieval times) to holidays.

Of course the dimensions assumed by the conversion of commodities in the hands of the capitalists cannot transform this labour — which does not create any value — into labour productive of value. Nor can the miracle of this transubstantiation be accomplished by a transposition, i.e., by the industrial capitalist making this "work of combustion" the exclusive business of third persons, who are paid by them, instead of performing it themselves. This third persons will of course not tender their labour-power to the capitalist out of sheer love for them. It is a matter of indifference to the rent collector of a real-estate owner or the messenger of a bank that their labour does not add one iota or tittle to the value of either the rent or the gold pieces carried to another bank by the bagful.[10]

To the capitalist who has others working for him, buying and selling becomes a primary function. Since he appropriates the product of many on a large social scale, he must sell it on the same scale and then reconvert it from money into elements of production. Now as before neither the time of purchase nor of sale creates any value. The function of merchant's capital give rise to an illusion. But without going into this at length here this much is plain from the start: If by a division of labour a function, unproductive in itself although a necessary element of reproduction, is transformed from an incidental occupation many into an exclusive occupation of a few, into their special business, the nature of this function itself is not changed. One merchant (here considered a mere agent attending to the change of form of

commodities, a mere buyer and seller) may by his operations shorten the time of purchase and sale for many producers. In such case he should be regarded as a machine which reduces useless expenditure of energy or helps to set production time free.[11]

In order to simplify the matter (since we shall not discuss the merchant as a capitalist and merchant's capital until later) we shall assume that this buying and selling agent is a man who sells his labour. He expends his labour-power and labour-time in the operations C—M and M—C. And he makes his living that way, just as another does by spinning or making pills. He performs a necessary function, because the process of reproduction itself include unproductive functions. He works as well as the next man, but intrinsically his labour creates neither value nor product. He belongs himself to the *faux frais* of production. His usefulness does not consist in transforming an unproductive function into a productive one, nor unproductive into productive labour. It would be a miracle if such transformation could be accomplished by the mere transfer of a function. His usefulness consists rather in the fact that a smaller part of society's labour-power and labour-time is tied up in this unproductive function. More. We shall assume that he is a mere wage-labourer, even one of the better paid, for all the difference it makes. Whatever his pay, as a wage-labourer he works part of his time for nothing. He may receive daily the value of the product of eight working-hours, yet functions ten. But the two hours of surplus-labour he performs do not produce value anymore than his eight hours of necessary labour, although by means of the latter a part of the social product is transferred to him. In the first place, looking at it from the standpoint of society, labour-power is used up now as before for ten hours in a mere function of circulation. It cannot be used for anything else, not for productive labour. In the second place however society does not pay for those two hours of surplus-labour, although they are spent by the individual who performs this labour. Society does not appropriate any extra product or value thereby. But the costs of circulation, which he represents, are reduced by one-fifth, from ten hours to eight. Society does not pay any equivalent for one-fifth of this active time of circulation, of which he is the agent. But if this man is employed by a capitalist, then the non-payment of these two hours reduces the cost of circulation of his capital, which constitute a deduction from his income. For the capitalist this is a positive gain, because the negative limit for the self-expansion of his capital-value is thereby reduced. So long as small independent producers of commodities spend a part of their own time in buying and selling, this represents nothing but time spent during the intervals between their productive function or diminution of their time of production.

At all events the time consumed for this purpose constitutes one of the costs of circulation which adds nothing to the converted values. It is the cost of converting

them from the commodity-form into the money-form. The capitalist producer of commodities acting as an agent of circulation differs from the direct producer of commodities only in the fact that he buys and sells on a larger scale and therefore his function as such agent assumes greater dimensions. And if the volume of his business compels or enables him to buy (hire) circulation agents of his own to serve as wage-labourers, the nature of the case is not changed thereby. A certain amount of labour-power and labour-time must be expended in the process of circulation (so far as it is merely a change of form). But this now appears as an additional investment of capital. A part of the variable capital must be laid out in the purchase of this labour-power functioning only in circulation. This advance capital creates neither product nor value. It reduces pro tanto the dimensions in which the advanced capital functions productively. It is as though one part of the product were transformed into a machine which buys and sells the rest of the product. This machine brings about a reduction of the product. It does not participate in the productive process, although it can diminish the labour-power, etc., spent on circulation. It constitutes merely a part of the costs of circulation.

(b) Book-Keeping

Apart from the actual buying and selling, labour-time is expended on book-keeping, which besides absorbs materialised labour such as pens, ink, paper, desks, office paraphernalia. This function, therefore, exacts the expenditure on the one hand of labour-power and on the other of instruments of labour. It is the same condition of things as obtained in the case of the time of purchase and sale.

As unity within its circuits, as value in motion, whether in the sphere of production or in either phase of the sphere of circulation, capital exists ideally only in the form of money of account, primarily in the mind of the producer of commodities, the capitalist producer of commodities. This movement is fixed and controlled by book-keeping, which includes the determination of prices, or the calculation of the prices of commodities. The movement of production, especially of the production of surplus-value — in which the commodities figure only as depositories of value, as the names of things whose ideal existence as values is crystallised in money of account — thus is symbolically reflected in imagination. So long as the individual producer of commodities keeps account only in his head (for instance, a peasant; the book-keeping tenant-farmer was not produced until the rise of capitalist agriculture), or books his expenditures, receipts, due dates of payments, etc., only incidentally, outside of his production time, it is palpably clear that this function and the instruments of labour consumed by it, such as paper, etc., represent additional consumption of labour-time and instruments which are necessary, but constitute a deduction from the time available for productive consumption as well as from the instruments of labour which functions in the real process of production, enter into

the creation of products and value.[12] The nature of the function is not changed — neither by the dimensions which it assumes on account of its concentration in the hands of the capitalist producer of commodities and the fact that instead of appearing as the function of many small commodity-producers it appears as the function of one capitalist, as a function within a process of large-scale production; nor is it altered by its divorcement from those productive functions of which it formed an appendage, nor by its conversion into an independent function of special agents exclusively entrusted with it.

Division of labour and assumption of independence do not make a function one that creates products and value if it was not so intrinsically, hence before it became independent. If a capitalist invests his capital anew, he must invest a part of it in hiring a book-keeper, etc., and in the wherewithal of book-keeping. If his capital is already functioning, is engaged in the process of its own constant reproduction, he must continually reconvert a part of his product into a book-keeper, clerks, and the like, by transforming that part into money. That part of his capital is withdrawn from the process of production and belongs in the costs of circulation, deductions from the total yield (including the labour-power itself that is expended exclusively for this function).

But there is a certain difference between the costs incidental to book-keeping, or the unproductive expenditure of labour-time on the one hand and those of mere buying and selling time on the other. The latter arise only from the definite social form of the process of production, from the fact that it is the process of production of commodities. Book-keeping, as the control and ideal synthesis of the process, becomes the more necessary the more the process assumes a social scale and loses its purely individual character. It is therefore more necessary in capitalist production than in the scattered production of handicraft and peasant economy, more necessary in collective production than in capitalist production. But the costs of book-keeping drop as production becomes concentrated and book-keeping becomes social.

We are concerned here only with the general character of the costs of circulation, which arise out of the metamorphosis of forms alone. It is superfluous to discuss here all their forms in detail. But how forms which belong in the sphere of pure changes of the form of value and hence originate from the particular social form of the process of production, forms which in the case of the individual commodity-producer are only transient, barely perceptible elements, run alongside his productive functions or become intertwined with them — how these can strike the eye as the huge costs of circulation can be seen from just the money taken in and paid out when these operations have become independent and concentrated on a large scale as the exclusive function of banks, etc., or of cashiers in individual

businesses. But it must be firmly borne in mind that these costs of circulation are not changed in character by their change in appearance.

(c) Money

Whether a product is fabricated as a commodity or not, it is always a material form of wealth, a use-value intended for individual or productive consumption. Its value as a commodity is ideally expressed in its price, which does not change its actual use-form in the least. But the fact that certain commodities like gold and silver function as money and as such reside exclusively in the process of circulation (even in the form of hoards, reserve funds, etc., they remain in the sphere of circulation, although latently) is a pure product of the particular social form of the process of production, the process of production of commodities. Since under capitalist production products assume the general form of commodities, and the overwhelming mass of products is created as commodities and must therefore assume the form of money, and since the vast bulk of commodities, the part of social wealth functioning as commodities, grows continually, it follows that the quantity of gold and silver functioning as means of circulation, paying medium, reserve fund, etc., likewise increases. These commodities performing the function of money enter into neither individual or productive consumption. They represent social labour in a fixed form in which it serves as a mere circulation machine. Besides the fact that a part of social wealth has been condemned to assume this unproductive form, the wearing down of the money demands its constant replacement, or the conversion of more social labour, in the form of products, into more gold and silver. These replacement costs are considerable in capitalistically developed nations, because in general the portion of wealth tied up in the form of money is tremendous. Gold and silver as money-commodities mean circulation costs to society which arise solely out of the social form of production. They are *faux frais* of commodity production in general, and they increase with the development of this production, especially of capitalist production. They represent a part of the social wealth that must be sacrificed to the process of circulation.[13]

II. Costs of Storage

Costs of circulation, which originate in a mere change of form of value, in circulation, ideally considered, do not enter into the value of commodities. The parts of capital expended as such costs are merely deductions from the productively expended capital so far as the capitalist is concerned. The costs of circulation which we shall consider now are of a different nature. They may arise from processes of production which are only continued in circulation, the productive character of which is hence merely concealed by the circulation form. On the other hand they

may be, from the standpoint of society, mere costs, unproductive expenditure of living or materialised labour, but for that very reason they become productive of value for the individual capitalist, may constitute an addition to the selling price of his commodities. This already follows from the fact that these costs are different in different spheres of production, and here and there even for different individual capitals in one and the same sphere of production. By being added to the prices of commodities they are distributed in proportion to the amount to be borne by each individual capitalist. But all labour which adds value can also add surplus-value, and will always add surplus-value under capitalist production, as the value created by labour depends on the amount of the labour itself, whereas the surplus-value created by it depends on the extent to which the capitalist pays for it. Consequently costs which enhance the price of a commodity without adding to its use-value, which therefore are to be classed as unproductive expenses so far as society is concerned, may be a source of enrichment to the individual capitalist. On the other hand, as this addition to the price of the commodity merely distributes these costs of circulation equally, they do not thereby cease to be unproductive in character. For instance insurance companies divide the losses of individual capitalists among the capitalist class. But this does not prevent these equalised losses from remaining losses so far as the aggregate social capital is concerned.

(a) Formation of Supply in General

During its existence as commodity-capital or its stay in the market, in other words, during the interval between the process of production, from which it emerges, and the process of consumption, into which it enters, the product constitutes a commodity supply. As a commodity in the market, and therefore in the shape of a supply, commodity-capital figures in a dual capacity in each circuit: one time as the commodity-product of that capital in process whose circuit is being examined; the other time however as the commodity-product of another capital, which must be available in the market to be bought and converted into productive capital. It is, indeed, possible that this last-named commodity-capital is not produced until ordered. In that event an interruption occurs until it has been produced. But the flow of the process of production and reproduction requires that a certain mass of commodities (means of production) should always be in the market, should therefore form a supply. Productive capital likewise comprises the purchase of labour-power, and the money-form is here only the value-form of the means of subsistence, the greater part of which the labourer must find at hand in the market. We shall discuss this more in detail further on in this paragraph. But at this point the following is already clear: As far as concerns capital-value in process which has been transformed into a commodity and must now be sold or reconverted into money, which therefore functions for the moment as commodity-capital in the market, the condition in which it constitutes a supply is to be described as an

inexpedient, involuntary stay there. The quicker the sale is effected the more smoothly runs the process of reproduction. Delay in the form of conversion of $C'—M'$ impedes the real exchange of matter which must take place in the circuit of capital, as well as its further functioning as productive capital. On the other hand, so far as $M—C$ is concerned, the constant presence of commodities in the market, commodity-supply, appears as a condition of the flow of the process of reproduction and of the investment of new or additional capital.

The abidance of the commodity-capital as a commodity-supply in the market requires buildings, stores, storage places, warehouses, in other words, an expenditure of constant capital; furthermore the payment of labour-power for placing the commodities in storage. Besides, commodities spoil and are exposed to the injurious influences of the elements. Additional capital must be invested, partly in instruments of labour, in material form, and partly in labour-power to protect the commodities against the above.[14]

Thus the existence of capital in its form of commodity-capital and hence of commodity-supply gives rise to costs which must be classed as costs of circulation, since they do not come within the sphere of production. These costs of circulation differ from those mentioned under I by the fact that they enter to a certain extent into the value of the commodities, i.e., they increase the prices of commodities. At all events the capital and labour-power which serve the need of preserving and storing the commodity-supply are withdrawn from the direct process of production. On the other hand the capitals thus employed, including labour-power as a constituent of capital, must be replaced out of the social product. Their expenditure has therefore the effect of diminishing the productive power of labour, so that a greater amount of capital and labour is required to obtain a particular useful effect. They are *unproductive costs*.

As the costs of circulation necessitated by the formation of a commodity-supply are due merely to the time required for the conversion of existing values from the commodity-form into the money-form, hence merely to the particular social form of the production process (i.e., are due only to the fact that the product is brought forth as a commodity and must therefore undergo the transformation into money), these costs completely share the character of the circulation costs enumerated under I. On the other hand the value of the commodities is here preserved or increased only because the use-value, the product itself, is placed in definite material conditions which cost capital outlay and is subjected to operations which bring additional labour to bear on the use-values. However the computation of the values of commodities, the book-keeping incidental to this process, the transactions of purchase and sale, do not affect the use-value in which the commodity-value exists. They have to do only with the form of the commodity-value. Although in the

case submitted [i.e., Corbet's calculations given in Footnote 14. — *Ed.*] the costs of forming a supply (which is here done involuntarily) arise only from a delay in the change of form and from its necessity, still these costs differ from those mentioned under I, in that their purpose is not a change in the form of the value, but the preservation of the value existing in the commodity as a product, a utility, and which cannot be preserved in any other way than by preserving the product, the use-value, itself. The use-value is neither raised nor increased here; on the contrary, it diminishes. But its diminution is restricted and it is preserved. Neither is the advanced value contained in the commodity increased here; but new labour, materialised and living, is added.

We have now to investigate furthermore to what extent these costs arise from the peculiar nature of commodity production in general and from commodity production in its general, absolute form, i.e., capitalist commodity production; and to what extent on the other hand they are common to all social production and merely assume a special shape, a special form of appearance, in capitalist production.

Adam Smith entertained the splendid notion that the formation of a supply was a phenomenon peculiar to capitalist production. [15] More recent economists, for instance Lalor, insist on the contrary that it declines with the development of capitalist production. [See: J. Lalor, *Money and Morals: A Book for the Times*, London, 1852, pp. 43-44. — *Ed.*] Sismondi even regards it as one of the drawbacks of the latter. [See: J.C.L. Sismonde de Sismondi, *Etudes sur l'économie politique*, Tome I. Bruxelles, 1837, p. 49, etc. — *Ed.*]

As a matter of fact, supplies exist in three forms: in the form of productive capital, in the form a fund for individual consumption, and in the form of a commodity-supply or commodity-capital. The supply in one form decreases relatively when it increases in another, although its quantity may increase absolutely in all three forms simultaneously.

It is plain from the outset that wherever production is carried on for the direct satisfaction of the needs of the producer and only to a minor extent for exchange or sale, hence where the social product does not assume the form of commodities at all or only to a rather small degree, the supply in the form of commodities, or commodity-supply, forms only a small and insignificant part of wealth. But here the consumption-fund is relatively large, especially that of the means of subsistence proper. One need but take a look at old-fashioned peasant economy. There the overwhelming part of the product is transformed directly into supplies of means of production or means of subsistence, without becoming supplies of commodities, for the very reason that it remains in the hands of its owner. It does not assume the

form of a commodity-supply and for this reason Adam Smith declares that there is no supply in societies based on this mode of production. He confuses the form of the supply with the supply itself and believes that society hitherto lived from hand to mouth or trusted to the hap of the morrow.[16] This is a naive misunderstanding.

A supply in the form of productive capital exists in the shape of means of production, which already are in the process of production or at least in the hands of the producer, hence latently already in the process of production. It was seen previously that with the development of the productivity of labour and therefore also with the development of the capitalist mode of production — there is a steady increase in the mass of means of production (buildings, machinery, etc.) which are embodied once and for all in the process in the form of instruments of labour, and perform with steady repetition their function in it for a longer or shorter time. It was also observed that this increase is at the same time the premise and consequence of the development of the social productive power of labour. The growth, not only absolute but relative, of wealth in this form (cf. Buch I, Kap XXIII, 2) [English edition: Ch. XXV, 2. — *Ed.*] is characteristic above all of the capitalist mode of production. The material forms of existence of constant capital, the means of production, do not however consist only of such instruments of labour but also of materials of labour in various stages of processing, and of auxiliary materials. With the enlargement of the scale of production and the increase in the productive power of labour through co-operation, division of labour, machinery, etc., grows the quantity of raw materials, auxiliary materials, etc., entering into the daily process of reproduction. These elements must be ready at hand in the place of production. The volume of this supply existing in the form of productive capital increases therefore absolutely, in order that the process may keep going — apart from the fact whether this supply can be renewed daily or only at fixed intervals — there must always be a greater accumulation of ready raw material, etc., at the place of production than is used up, say, daily or weekly. The continuity of the process requires that the presence of its conditions should not be jeopardised by possible interruptions when making purchases daily, nor depend on whether the product is sold daily or weekly, and hence is reconvertible into its elements of production only irregularly. But it is evident that productive capital may be latent or form a supply in quite different proportions. There is for instance a great difference whether the spinning-mill owner must have on hand a supply of cotton or coal for three months or for one. Patently this supply, while increasing absolutely, may decrease relatively.

This depends on various conditions, all of which practically amount to a demand for greater rapidity, regularity, and reliability in furnishing the necessary amount of raw material, so that no interruption will ever occur. The less these conditions are complied with, hence the less rapid, regular and reliable the supplies, the greater

must be the latent part of the productive capital, that is to say, the supply of raw material, etc., in the hands of the producer waiting to be worked up. These conditions are inversely proportional to the degree of development of capitalist production, and hence of the productive power of social labour. The same applies therefore to the supply in this form.

However that which appears here as a decrease of the supply (for instance, in Lalor) is in part merely a decrease of the supply in the form of commodity-capital, or of the commodity-supply proper; it is consequently only a change of form of the same supply. If for instance the quantity of coal daily produced in a certain country, and therefore the scale and energy of operation of the coal industry, are great, the spinner does not need a large store of coal in order to ensure the continuity of his production. The steady and certain renewal of his coal supply makes this unnecessary. In the second place the rapidity with which the product of one process may be transferred as means of production to another process depends on the development of the transport and communication facilities. The cheapness of transportation is of great importance in this question. The continually renewed transport of coal from the mine to the spinning-mill for instance would be more expensive than the storing up of a larger supply of coal for a longer time when the price of transportation is relatively cheaper. These two circumstances examined so far arise from the process of production itself. In the third place the development of the credit-system also exerts an influence. The less the spinner is dependent on the direct sale of his yarn for the renewal of his supply of cotton, coal, etc. — and this direct dependence will be the smaller, the more developed the credit-system is — the smaller relatively these supplies can be and yet ensure a continuous production of yarn on a given scale, a production independent of the hazards of the sale of yarn. In the fourth place, however, many raw materials, semi-finished goods, etc., require long periods of time for their production. This applies especially to all raw materials furnished by agriculture. If no interruption of the process of production is to take place, a certain amount of raw materials must be on hand for the entire period in which no new products can take the place of the old. If this supply decreases in the hands of the industrial capitalist, it proves merely that it increases in the hands of the merchant in the form of commodity-supply. The development of transportation for instance makes it possible rapidly to ship the cotton lying, say, in Liverpool's import warehouses to Manchester, so that the manufacturer can renew his supply in comparatively small portions, as and when needed. But in that case the cotton remains in so much larger quantities as commodity-supply in the hands of the Liverpool merchants. It is therefore merely a change in the form of the supply, and this Lalor and others overlooked. And if you consider the social capital, the same quantity of products exists in either case in the form of supply. The quantity required for a single country during the period of, say, one year decreases as transportation improves. If a large number of sailing vessels and steamers ply

between America and England, England's opportunities to renew its cotton supply are increased while the average quantity to be held in storage in England decreases. The same effect is produced by the development of the world market and the consequent multiplication of the sources of supply of the same merchandise. The article is supplied piecemeal from various countries and at various intervals.

(b) The Commodity-Supply Proper

We have already seen that under capitalist production the product assumes the general form of a commodity, and the more so the more that production grows in size and depth. Consequently, even if production retains the same volume, the far greater part of the products exists in the shape of commodities, compared with either the former modes of production or the capitalist mode of production at a less developed stage. And every commodity — therefore, also every commodity-capital, which is only commodities, but commodities serving as the form of existence of capital-value — constitutes an element of the commodity-supply, unless it passes immediately from its sphere of production into productive or individual consumption, that is, does not lie in the market in the interval. If the volume of production remains the same, the commodity-supply (i.e., this isolation and fixation of the commodity-form of the product) grows therefore of itself concomitantly with capitalist production. We have seen above that this is merely a change of form of the supply, that is to say, the supply in the form of commodities increases on the one hand because on the other the supply in the form intended directly for production or consumption decreases. It is merely a changed social form of the supply. If at the same time it is not only the relative magnitude of the commodity-supply compared with the aggregate social product that increases but also its absolute magnitude, that is so because the mass of the aggregate product grows with the growth of capitalist production.

With the development of capitalist production, the scale of production is determined less and less by the direct demand for the product and more and more by the amount of capital available in the hands of the individual capitalist, by the urge of self-expansion inherent in his capital and by the need of continuity and expansion of the process of production. Thus in each particular branch of production there is a necessary increase in the mass of products available in the market in the shape of commodities, i.e., in search of buyers. The amount of capital fixed for a shorter or longer period in the form of commodity-capital grows. Hence the commodity-supply also grows.

Finally the majority of the members of society are transformed into wage-labourers, into people who live from hand to mouth, who receive their wages weekly and spend them daily, who therefore must have their means of subsistence made

available to them in the shape of a supply. Although the separate elements of this supply may be in continuous flow, a part of them must always stagnate in order that the supply as a whole may remain in a state of flux.

All these characteristics have their origin in the form of production and in the incident change of form which the product must undergo in the process of circulation.

Whatever may be the social form of the products-supply, its preservation requires outlays for buildings, vessels, etc., which are facilities for storing the product; also for means of production and labour, more or less of which must be expended, according to the nature of the product, in order to combat injurious influences. The more concentrated socially the supply is, the smaller relatively are the costs. These outlays always constitute a part of the social labour, in either materialised or living form — hence in the capitalist form outlays of capital — which do not enter into the formation of the product itself and thus are deductions from the product. They are necessary, these unproductive expenses of social wealth. They are the costs of preserving the social product regardless of whether its existence as an element of the commodity-supply stems merely from the social form of production, hence from the commodity-form and its necessary change of form, or whether we regard the commodity-supply merely as a special form of the supply of products, which is common to all societies, although not in the form of a *commodity*-supply that form of products-supply belonging in the process of circulation.

It may now be asked to what extent these costs enhance the value of commodities. If the capitalist has converted the capital advanced by him in the form of means of production and labour-power into a product, into a definite quantity of commodities ready for sale, and these commodities remain in stock unsold, then we have a case of not only the stagnation of the process of self-expansion of his capital-value during this period. The costs of preserving this supply in buildings, of additional labour, etc., mean a positive loss. The buyer he would ultimately find would laugh in his face if he were to say to him: "I could not sell my goods for six months, and their preservation during that period did not only keep so and so much of my capital idle, but also cost me so and so much extra expense." "*Tant pis pour vous!*" the buyer would say. "Right here alongside of you is another seller whose wares were completed only the day before yesterday. Your articles are shop-worn and probably more or less damaged by the ravages of time. Therefore you will have to sell cheaper than your competitor." The conditions under which a commodity exists are not in the least affected by whether its producer is the real producer or a capitalist producer, hence actually only a representative of the real producer. He has to turn his product into money. The expenses incurred by him because of the fixation of the product in the form of commodities are a part of his individual

speculations with which the buyer of the commodities has no concern. The latter does not pay him for the time of circulation of his commodities. Even when the capitalist keeps his goods intentionally off the market, in times of an actual or anticipated revolution of values, it depends on the advent of this revolution of values, on the correctness or incorrectness of his speculation, whether he will recover his additional costs or not. But the revolution in values does not ensue in consequence of his additional costs. Hence in so far as the formation of a supply entails a stagnation of circulation, the expense incurred thereby does not add to the value of the commodities. On the other hand there cannot be any supply without a stay in the sphere of circulation, without capital staying for a longer or shorter time in its commodity-form; hence no supply without stagnation of circulation, just as no money can circulate without the formation of a money-reserve. Hence no commodity circulation without commodity-supply. If the capitalist does not come face to face with this necessity in $C'—M'$, he will encounter it in $M—C$; if not with regard to his own commodity-capital, then with regard to that of other capitalists, who produce means of production for him and means of subsistence for his labourers.

Whether the formation of a supply is voluntary or involuntary, that is to say, whether the commodity-producer keeps a supply intentionally or whether his products form a supply in consequence of the sales resistance offered by the conditions of the process of circulation itself cannot effect the matter essentially, it would seem. But for the solution of this problem it is useful to know what distinguishes voluntary from involuntary supply formation. Involuntary formation arises from, or is identical with, a stagnation of the circulation which is independent of the knowledge of the commodity-producer and thwarts his will. And what characterises the voluntary formation of a supply? In both instances the seller seeks to get rid of his commodity as fast as ever. He always offers his product for sale as a commodity. If he were to withdraw it from sale, it would be only a potential, not an actual element of the commodity-supply. To him the commodity as such is as much a depository of exchange-value as ever and as such can act only by and after stripping off its commodity-form and assuming the money-form. The commodity-supply must be of a certain volume in order to satisfy the demand during a given period. A continual extension of the circle of buyers is counted upon. For instance, in order to last for one day, a part of the commodities in the market must constantly remain in the commodity-form while the remainder is fluent, turns into money. True, the part which stagnates while the rest is fluent decreases steadily, just as the size of the supply itself decreases until it is all sold. The stagnation of commodities thus counts as a requisite condition of their sale. The volume must furthermore be larger than the average sale or the average demand. Otherwise the excess over these averages could not be satisfied. On the other hand the supply must constantly be renewed, because it is constantly being drawn on. This renewal

cannot come from anywhere in the last instance except from production, from a supply of commodities. It is immaterial whether this comes from abroad or not. The renewal depends on the periods required by the commodities for their reproduction. The commodity-supply must last all the time. The fact that it does not remain in the hands of the original producer but passes through various reservoirs, from the wholesaler to the retailer, changes merely the appearance and not the nature of the thing. From the point of view of society, a part of the capital retains in both instances the form of a commodity-supply until the commodities enter productive or individual consumption. The producer tries to keep a stock corresponding to his average demand in order not to depend directly on production and to ensure for himself a steady clientele. Purchase periods corresponding to the periods of production are formed and the commodities constitute supplies for longer or shorter time, until they can be replaced by new commodities of the same kind. Constancy and continuity of the process of circulation, and therefore of the process of reproduction, which includes the process of circulation, are safeguarded only by the formation of such supplies. It must be remembered that $C'—M'$ may have been transacted for the producer of C, even if C is still in the market. If the producer were to keep his own commodities in stock until they are sold to the ultimate consumer, he would have to set two capitals in motion, one as the producer of the commodities and one as a merchant. As far as the commodity itself is concerned, whether we look upon it as an individual commodity or as a component part of social capital, it is immaterial whether the costs of forming the supply must be borne by its producer or by a series of merchants from A to Z.

Since the commodity-supply is nothing but the commodity-form of the product which at a particular level of social production would exist either as a productive supply (latent production fund) or as a consumption-fund (reserve of means of consumption) if it did not exist as a commodity-supply, the expenses required for its preservation, that is, the costs of supply formation — i.e., materialised or living labour spent for this purpose — are merely expenses incurred for maintaining either the social fund for production or the social fund for consumption. The increase in the value of commodities caused by them distributes these costs simply *pro rata* over the different commodities, since the costs differ with different kinds of commodities. And the costs of supply formation are as much as ever deductions from the social wealth, although they constitute one of the conditions of its existence.

Only to the extent that the commodity-supply is a premise of commodity circulation and is itself a form necessarily arising in commodity circulation, only in so far as this apparent stagnation is therefore a form of the movement itself, just as the formation of a money-reserve is a premise of money circulation — only to that extent is such stagnation normal. But as soon as the commodities lying in the

reservoirs of circulation do not make room for the swiftly succeeding wave of production, so that the reservoirs become over-stocked, the commodity-supply expands in consequence of the stagnation in circulation just as the hoards increase when money-circulation is clogged. It does not make any difference whether this jam occurs in the warehouses of the industrial capitalist or in the storerooms of the merchant. The commodity-supply is in that case not a prerequisite of uninterrupted sale, but a consequence of the impossibility of selling the goods. The costs are the same, but since they now arise purely out of the form, that is to say, out of the necessity of transforming the commodities into money and out of the difficulty of going through this metamorphosis, they do not enter into the values of the commodities but constitute deductions, losses of value in the realisation of the value. Since the normal and abnormal forms of the supply do not differ in form and both clog circulation, these phenomena may be confused and deceive the agent of production himself so much the more since for the producer the process of circulation of his capital may continue while that of his commodities which have changed hands and now belong to merchants may be arrested. If production and consumption swell, other things being equal, then the commodity-supply swells likewise. It is renewed and absorbed just as fast, but its size is greater. Hence the bulging size of the commodity-supply, for which stagnant circulation is responsible, may be mistaken for a symptom of the expansion of the process of reproduction, especially when the development of the credit-system makes it possible to wrap the real movement in mystery.

The costs of supply formation consist: 1) of a quantitative diminution of the mass of the products (for instance in the case of a flour supply; 2) of a deterioration of quality; 3) of the materialised and living labour required for the preservation of the supply.

III. Costs of Transportation

It is not necessary to go here into all the details of the costs of circulation, such as packing, sorting, etc. The general law is that *all costs of circulation, which arise only from changes in the forms of commodities do not add to their value*. They are merely expenses incurred in the realisation of the value or in its conversion from one form into another. The capital spent to meet those costs (including the labour done under its control) belongs among the *faux frais* of capitalist production. They must be replaced from the surplus-product and constitute, as far as the entire capitalist class is concerned, a deduction from the surplus-value or surplus-product, just as the time a labourer needs for the purchase of his means of subsistence is lost time. But the costs of transportation play a too important part to pass them by without a few brief remarks.

Within the circuit of capital and the metamorphosis of commodities, which forms a part of the circuit, an interchange of matter takes place in social labour. This interchange of matter may necessitate a change of location of products, their real motion from one place to another. Still, circulation of commodities can take place without physical motion by them, and there can be transportation of products without circulation of commodities, and even without a direct exchange of products. A house sold by A to B does not wander from one place to another, although it circulates as a commodity. Movable commodity-values, such as cotton or pig iron, may lie in the same storage dump at a time when they are passing through dozens of circulation processes, are bought and resold by speculators.[17] What really does move here is the title of ownership in goods, not the goods themselves. On the other hand, transportation played a prominent role in the land of the Incas, although the social product neither circulated as a commodity nor was distributed by means of barter.

Consequently, although the transportation industry when based on capitalist production appears as a cause of circulation costs, this special form of appearance does not alter the matter in the least.

Quantities of products are not increased by transportation. Nor, with a few exceptions, is the possible alteration of their natural qualities, brought about by transportation, an intentional useful effect; it is rather an unavoidable evil. But the use-value of things is materialised only in their consumption, and their consumption may necessitate a change of location of these things, hence may require an additional process of production, in the transport industry. The productive capital invested in this industry imparts value to the transported products, partly by transferring value from the means of transportation, partly by adding value through the labour performed in transport. This last-named increment of value consists, as it does in all capitalist production, of a replacement of wages and of surplus-value.

Within each process of production, a great role is played by the change of location of the subject of labour and the required instruments of labour and labour-power — such as cotton trucked from the carding to the spinning room or coal hoisted from the shaft to the surface. The transition of the finished product as finished goods from one independent place of production to another located at a distance shows the same phenomenon, only on a larger scale. The transport of products from one productive establishment to another is furthermore followed by the passage of the finished products from the sphere of production to that of consumption. The product is not ready for consumption until it has completed these movements.

As was shown above, the general law of commodity production holds: The productivity of labour is inversely proportional to the value created by it. This is true of the transport industry as well as of any other. The smaller the amount of dead and living labour required for the transportation of commodities over a certain distance, the greater the productive power of labour, and vice versa.[18]

The absolute magnitude of the value which transportation adds to the commodities stands in inverse proportion to the productive power of the transport industry and in direct proportion to the distance traveled, other conditions remaining the same.

The part of the value added to the prices of commodities by the costs of transportation, other conditions remaining the same, is directly proportional to their cubic content and weight, and inversely proportional to their value. But there are many modifying factors. Transportation requires, for instance, more or less important precautionary measures, and therefore more or less expenditure of labour and instruments of labour, depending on how fragile, perishable, explosive, etc., the articles are. Here the railway kings show greater ingenuity in the invention of fantastic species than do botanists and zoologists. The classification of goods on English railways, for example, fills volumes and, in principle, rests on the general tendency to transform the diversified natural properties of goods into just as many ills of transportation and routine pretexts for fraudulent charges. "Glass, which was formerly worth £11 per crate, is now worth only £2 since the improvements which have taken place in manufactures, and since the abolition of the duty; but the rate for carriage is the same as it was formerly, and higher than it was previously, when carried by canal. Formerly, manufacturers inform me that they had glass and glass wares for the plumbers' trade carried at about 10 s. per ton, within 50 miles of Birmingham. At the present time, the rate to cover risk of breakage, amount ... The companies always resist any claim that is made for breakages." [19] The fact that furthermore the part of the value added to an article by the costs of transportation is inversely proportional to its value furnishes special grounds to the railway kings to tax articles in direct proportion to their values. The complaints of the industrialists and merchants on this score are found on every page of the testimony given in the report quoted.

The capitalist mode of production reduces the costs of transportation of the individual commodity by the development of the means of transportation and communication, as well as by concentration — increasing scale — of transportation. It increases that part of the living and materialised social labour which is expended in the transport of commodities, firstly by converting the great majority of all products into commodities, secondly, by substituting distant for local markets.

The circulation, i.e., the actual locomotion of commodities in space, resolves itself into the transport of commodities. The transport industry forms on the one hand an independent branch of production and thus a separate sphere of investment of productive capital. On the other hand its distinguishing feature is that it appears as a continuation of a process of production *within* the process of circulation and *for* the process of circulation.

Notes

10 The bracketed text is taken from a note at the end of Manuscript VIII. — *F.E.*

11 "The costs of commerce, although necessary, must be regarded as an onerous outlay." (Quesnay, *Analyse du Tableau Economique*, in Daire, *Physiocrates*, Part I, Paris, 1846, p. 71.) According to Quesnay, the "profit" which the competition among merchants produces, in that it compels them to "content themselves with a smaller reward or gain...is, strictly speaking, nothing but a prevention of loss (*privation de perte*) for the seller at first hand and for the buyer-consumer. Now, a prevention of loss on the costs of commerce is not a real product or an accession of wealth through commerce. If considered simply as an exchange, whether with or without the cost of transportation." (Pp. 145 and 146.) "The costs of commerce are always paid by those who sell the products and who would enjoy the full prices paid for them by the buyers, if there were no intermediate expenses." (P. 163.) The proprietors and producers are "salarants" (payers of wages), the merchants are "saliariés" (recipients of wages). (P.164, Quesnay, *Dialogues sur le Commerce et sur les Travaux des Artisans*. In Daire, *Physiocrates*, Part I, Paris, 1846.)

12 In the Middle Ages we find book-keeping for agriculture only in the monasteries. But we have seen (Buch I, p. 343 [English edition: p. 357, — *Ed.*]) that a book-keeper was installed for agriculture as early as the primitive Indian communities. Book-keeping is there made the independent and exclusive function of the communal officer. This division of labour saves time, effort and expense, but production and book-keeping in the sphere of production remain as much two different things as the cargo of a ship and the bill of lading. In the person of the book-keeper, a part of the labour-power of the community is withdrawn from production, and the costs of his function are not made good by his own labour but by a deduction from the communal product. What is true of the book-keeper of an Indian community is true *mutatis mutandis* of the book-keeper of the capitalist. (From Manuscript II).

13 "The money circulating in a country is a certain portion of the capital of the country, absolutely withdrawn from productive purposes, in order to facilitate or increase the productiveness of the remainder. A certain amount of wealth is, therefore, as necessary in order to adopt gold as a circulating medium, as it is to make a machine, in order to facilitate any other production." (Economists, Vol. V, p. 520.)

14 Corbet calculates, in 1841, that the cost of storing wheat for a season of nine months amounts to a loss of 1/2 per cent in quantity, 3 per cent for interest on the price of wheat, 2 percent for warehouse rental, 1 percent for sifting and drayage, 1/2 percent for delivery, together 7 percent, or 3s. 6d. on a price of 50s. per quarter. (Th. Corbet, *An Inquiry into the Causes and Modes of Wealth of Individuals*, etc., London, 1841.) According to the testimony of Liverpool merchants before the Railway Commission, the (net) costs of grain storage in 1865 amounted to about 2d. per quarter per month, or 9d. or 10d. a ton. (Royal Commission on Railways, 1867. Evidence, p. 19, No. 331.)

15 Book II. Introduction. [A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. A new edition in four volumes, London, 1843, Vol. II, pp. 249-52. — *Ed.*]

16 Instead of a supply arising only upon and from the conversion of the product into a commodity, and of the consumption-supply into a commodity-supply, as Adam Smith wrongly imagines, this change of form, on the contrary, causes most violent crises in the economy of the producers during the transition from production for one's own needs to commodity production. In India, for instance, "the disposition to hoard largely the grain for which little could be got in years of abundance" was observed until very recent times. (Return. Bengal and Orissa Famine H. of C., 1867, I, pp. 230-31, No. 74.) The sudden increase in the demand for cotton, jute, etc., due to the American Civil War led in many parts of India to a severe restriction of rice culture, a rise in the price of rice, and a sale of the producers' old rice supplies. To this must be added the unexampled export of rice to Australia, Madagascar, etc., after 1864-66. This accounts for the acute character of Orissa alone (loc. cit., 174, 175, 213, 214, and III: Papers relating to the famine in Behar, pp. 32, 33, where the "drain of old stocks" is emphasised as one of the causes of the famine). (From Manuscript II.)

17 Storch calls this "circulation factice" (fictitious circulation).

18 Ricardo quotes Say, who considers it one of the blessings of commerce that by means of the costs of transportation it increases the price, or the value, of products. "Commerce," writes Say, "enables us to obtain a commodity in the place where it is to be found, and to convey it to another where it is to be consumed; it therefore gives us the power of increasing the value of the commodity, by the whole difference between its price in the first of these places, and its price in the second." [J.B. Say, *Traité d'économie politique*, Troisième édition, Paris, 1817, Tome II, p. 433. — *Ed.*] Ricardo remarks with reference to this: "True, but how is this additional value given to it? By adding to the cost of production, first, the expenses of conveyance; secondly, the profit on the advances of capital made by the merchant. The commodity is only more valuable, for the same reason that every other commodity may become more valuable, because more labour is expended on its production and conveyance before it is purchased by the consumer. This must not be mentioned as one of the advantages of commerce." (Ricardo, *Principles of Political Economy*, 3rd. ed., London, 1821, pp. 309, 310.)

19 Royal Commission on Railways, p. 31, No. 630.

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